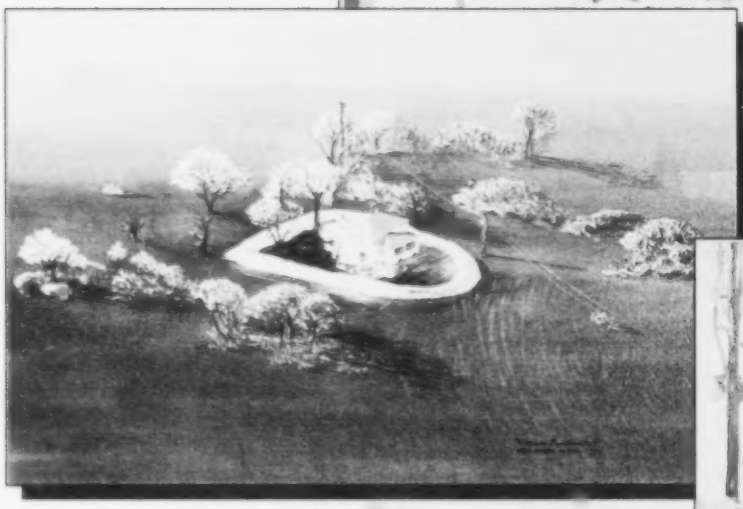
MANITOBA FLOODWAY AUTHORITY



2005 ANNUAL REPORT

FOR THE YEAR ENDED
MARCH 31, 2005

Canada

Manitoba
Floodway Authority

Manitoba

If there was one thing that was made clear in the aftermath of the flood of the century, it was that people working together can overcome the most extreme challenges of nature. For more than a month in the spring of 1997, the eyes of the world were turned to the Red River Valley. The relentless Red River, fed by the melting of record winter snowfall, slowly made its way north, leaving devastation and heartache in its wake. Volunteers, homeowners and army personnel from Grand Forks to Selkirk worked hand-in-hand to battle the inexorable river. This limited edition print, printed on the first anniversary of the 1997 Flood of the Century, is one of a collection of original watercolour paintings donated by artist Roman Swiderek to raise funds to assist the flood victims of the Red River Valley.

About the artist: Manitoba artist Roman Swiderek works with drawings, oils and watercolours. He is particularly well known for his Winnipeg cityscapes.

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CEO'S MESSAGE

Over the years, the Red River Floodway has proved to be invaluable in protecting the residents of Winnipeg. However, in 1997, during the "Flood of the Century", Manitobans experienced a wake-up call when the floodway came within inches of its capacity. As a result, in the aftermath of the 1997 flood, the International Joint Commission (IJC) reviewed flood protection measures for the Red River Basin and recommended flood protection improvements to the protect the City of Winnipeg. Subsequently, Canada and Manitoba joined together to undertake the Red River Floodway Expansion Project.

The Red River Floodway Expansion Project will improve flood protection, protect the environment and leave a long lasting legacy for all Manitobans. Once completed, floodway expansion will protect more than 450,000 Manitobans, over 140,000 homes, over 8,000 businesses and prevent more than $12 billion in damages to the provincial economy. By preventing widespread basement and overland flooding, floodway expansion will also protect the environment for generations to come.

During 2004/05, the Manitoba Floodway Authority (MFA) concentrated its efforts on fulfilling its requirements in obtaining an environmental license for the expansion project. This process consisted of a comprehensive public consultation process, the filing of an Environmental Impact Statement (EIS), Clean Environment Commission (CEC) public hearings and ongoing discussions with federal and provincial regulators. At the conclusion of this process, it is our hope that the Province of Manitoba and the Government of Canada will endorse the floodway expansion project and allow the floodway project to move forward.

In the meantime, the MFA is currently focusing its efforts on planning for the start of construction including the final design engineering, tendering of construction work and project administration.

Over the last two years, there has been significant interest in the floodway project from the public. Thousands of people have taken the opportunity to participate in the public consultations on the project and over 100,000 hits have been posted on the MFA website (www.floodwayauthority.mb.ca). As we move forward with the project, we look forward to working with Manitobans to improve flood protection in our province.

Ernie Gilroy

Chief Executive Officer

THE RED RIVER FLOODWAY EXPANSION PROJECT

The Project

The Red River Floodway expansion project will increase flood protection for residents of the City of Winnipeg, East St. Paul and West St. Paul. Once completed the project will protect more than 450,000 Manitobans, over 140,000 homes, over 8,000 businesses, and prevent more than $12 billion in damages to the provincial economy in the event of a 1-in-700 year flood.

The floodway operates by diverting a portion of the Red River floodwaters around Winnipeg through the floodway channel immediately south of Winnipeg back to the Red River near Lockport. The existing floodway currently provides a level of protection from floods with a 1-in-90 year probability of recurrence while an expanded floodway will increase this level of protection to 1-in-700. It is estimated that the risk of Winnipeg flooding with the existing floodway is 37 percent over the next fifty years and with an expanded floodway this risk is reduced to 7 percent.

History

Over the years, Manitobans, especially residents of the Red River Valley and the City of Winnipeg, have experienced the devastation of spring floods first hand. Significant Red River flooding in 1950, 1966, 1979, 1996, and, in particular 1997 – when the Floodway came within inches of its limit – reinforced this reality and the need to prepare for larger floods in the future.

Following the 1997 Red River "Flood of the Century", extensive studies and consultations were conducted to identify and evaluate alternatives to improve flood protection for the Winnipeg area. The International Joint Commission (IJC) reviewed flood protection and concluded that the "risk of failure of Winnipeg's existing flood protection infrastructure is high under flow condition similar to or greater than those experienced in 1997." In the IJC's final report, *Living with the Red*, the IJC called for the highest flood protection that can be economically justified or at least sufficient protection to deal with an event similar to the 1826 flood. At the same time, Canada and Manitoba invested $110 million to improve flood protection in communities in rural Manitoba.

After reviewing all the facts and options, the federal and provincial governments chose the expansion of the current floodway as the most cost-effective and viable solution. As a result, the Government of Canada has recognized the project as a national priority and has partnered with the Province of Manitoba to expand the floodway to protect against a 1-in-700 year flood.

On April 3, 2003, former Prime Minister Chretien and Premier Doer announced $80 million each towards the Red River Floodway expansion project. In August, 2003, the Government of Canada declared the expansion of the floodway as a national priority project under the Canada Strategic Infrastructure Fund. At the same time, Canada and Manitoba increased their commitments to the project by $40 million each.

On December 8, 2003, Premier Doer and Allan Rock, Minister of Industry and Minister responsible for Infrastructure announced the signing of a $240 million joint funding agreement to support the first phase of the expansion project.

The Manitoba Floodway Authority (MFA) has been established by the Government of Manitoba through the Floodway Authority Act to act as an independent crown agency whose mandate is to manage the construction of the floodway project. Since its inception, the MFA has been working to secure environmental approval for the project. More recently, the MFA has begun planning for the start of construction on the project. Pending environmental approval from Canada and Manitoba, construction is anticipated to begin in the summer of 2005.

The estimated cost for the project is approximately $665 million.

The Manitoba Floodway Authority

The Manitoba Floodway Expansion Authority (MFEA) was established by the Government of Manitoba in October, 2003, as an incorporated interim agency to prepare for the expansion of the existing Red River Floodway. In March 2004, the Province of Manitoba introduced the Floodway Authority Act to establish the Manitoba Floodway Authority (MFA) and outline its responsibilities as a separate, independent, publicly accountable agency to manage the design, construction, and maintenance of the expansion. Specific responsibilities of the MFA include ongoing project pre-design and engineering, environmental assessment and licensing and identification of potential economic and recreational possibilities that may result from the project. On November 1, 2004, the Floodway Authority Act received Royal Proclamation and the MFA was officially established as a crown corporation, assuming the operations of the MFEA.

Governance

On November 1, 2004, a Board of Directors for the Manitoba Floodway Authority (MFA) was established consisting of senior civil servants including Secretary of the Community Economic Development Committee (CEDC), the Secretary to Treasury Board, the Deputy Minister of Intergovernmental Affairs and Trade, Finance, Advanced Education and Training, and Water Stewardship.

Project Components

The MFA is responsible for expanding the Red River Floodway. Floodway expansion involves a major expansion of the existing flood protection system including the replacement and upgrading of 16 bridge crossings and modifications to the floodway channel, the inlet and outlet structures, utilities and services and the West Dike. Floodway expansion will more than double the amount of water diverted around Winnipeg by increasing the capacity of the floodway channel from 1,700 cubic metres (60,000 cubic feet) of water per second to 4,000 cubic metres (140,000 cubic feet) per second.

The 2004/05 floodway budget includes the following approved Project Components:

- **Project Design and Environmental Assessment (PDEA)** – Preliminary design studies are required that will be refined to define the project in detail and to assess the environmental impacts. This component includes an environmental licensing process that will include public consultation, establishment of an Environmental Impact Statement (EIS) and financial support for the licensing process including provision for the Clean Environment Commission public hearings, and participant assistance funding.
- **Final Design** – Final design engineering will be undertaken based on the PDEA process to define and identify the detailed design of the project and to incorporate environmental mitigation measures identified during the PDEA stage.

- **Administration** – Ongoing administration costs for the Manitoba Floodway Authority (MFA) including operations, insurance, establishment of site office etc.

In addition, proposed Project Components that will be undertaken over the life of the project include:

- **Excavation** – The floodway channel will be enlarged, primarily in width, by varying amounts along its 47 kilometer length. The total volume of excavation is estimated to be 21 million cubic metres (27 million cubic yards). The outlet channel will be expanded and reshaped to permit the increased floodway flow to re-enter the Red River with minimum impact on the riverbanks. As required and appropriate by the expansion, drainage structures, transmission lines, miscellaneous crossings (including pipelines) and the Aqueduct under the floodway, will be extended, adjusted or replaced.
- **Outlet Structure** – The east retaining wall of the existing structure will be demolished, and the Outlet Structure will be widened approximately 52 meters (170 feet) towards the east. A new concrete retaining wall will be constructed, and the riverbank fortified appropriately.
- **Inlet Control Structure** – The improvements required includes: the selective placement of additional riprap on the downstream slopes and upstream face of embankments adjacent to the concrete structure to protect them from erosive damage; installation of a fire protection system, addition of redundant emergency backup electrical and mechanical systems, and refurbishment of the Gate Control servo motors.
- **Road and Rail Bridges** – Highway Bridges over the floodway channel will be replaced with new structures configured to minimize hydraulic interference. Railway Bridges will be raised and rehabilitated. In total six roads and six rail bridges will be reconstructed.
- **Expansion of the West Dike** – The freeboard of the existing West Dike, which extends over 44 kilometres from the Floodway Inlet Control Structure and ties into high ground at the west side of the Red River Valley, will be increased and the length of the Dyke will be extended. The dike will be increased in height in varying amounts up to 1.5 metres (6 feet), and extended beyond the current location at the west end by 18 kilometres to a total of over 68 kilometres long. In the dike's improved condition, it will be capable of protecting against from a 100 year wind storm which could occur concurrently with a 700 year Red River Flood.

Project Activities

On an ongoing basis, MFA will continue to focus on the following activities as the project proceeds:

- ***Project Management*** – MFA will manage construction work on the project. As part of this responsibility, MFA will ensure that workers and contractors comply with the conditions outlined in the Project Management Agreement for the project. MFA will also be responsible for the managing and implementing the Employment Equity Strategy (i.e., including the Floodway Training Initiative.
- ***Ongoing Communications*** – MFA is committed to ongoing communications throughout the life of the project to promote the project, recognize the partnership and contribution of both levels of government and maximize the level of visibility and importance of the program for all Manitobans.

Ongoing Public Outreach and Consultation – MFA is committed to ongoing consultation with local municipalities, non-government organizations, Aboriginal and other equity groups, labour and the construction industry as the project proceeds.

2004/05 OBJECTIVES

The Floodway Expansion Project

- Complete the pre-design for the project
- Initiate Final Design Engineering
- Solicit public input on potential recreation and economic opportunities related to floodway expansion

Environmental Licensing

- File an Environmental Impact Statement (EIS) for the Floodway expansion project
- Fulfill all environmental requirements as part of environmental licensing process
- Participate in Clean Environment Commission public hearings

Public Consultation

- Continue public consultation process
- Continue to meet with local governments, special interest groups and other interested parties on the floodway expansion project
- Continually update the Manitoba Floodway Authority website www.floodwayauthority.mb.ca
- Produce and distribute periodic newsletters on the project

Legislation

- Work with Manitoba Water Stewardship to develop flood compensation legislation.
- Develop legislation for the creation and governance of the Manitoba Floodway Authority crown corporation

Funding

- Secure the balance of the funding to complete the floodway expansion project from Canada

MILESTONES AND ACCOMPLISHMENTS

The Floodway Expansion Project

- Completed the pre-design of the floodway expansion project
- Commence final design engineering on the project
- Produced a *Recreation and Economic Development Opportunities Report* in January, 2004.

Environmental Licensing

- Filed an Environmental Impact Statement (EIS) for the project in August, 2004
- Provided Supplementary Information to Federal regulators on an ongoing basis
- Participated in Clean Environment Commission (CEC) public hearings in February, 2004

Public Consultation

- Completed four rounds of public consultation on the project
- Distributed 60,000 MFA newsletters on the project
- Maintained the Manitoba Floodway Authority Website (www.floodwayauthority,mb.ca)
- Participated in the Clean Environment Commission public hearings
- Commenced consultation process with construction industry on the project management agreement in March, 2005

Legislation

- On June 10, 2004, the *Red River Floodway Act*, legislation designed to compensate Manitobans who are impacted by artificifial spring flooding along the Red River as a result of operation of the Red River Floodway, received Royal Assent in the Manitoba Legislature.
- On June 10, 2004, the *Manitoba Floodway Authority Act*, legislation designed to outline the roles and responsibilities of the Manitoba Floodway Authority, a separate, independent, publicly accountable, provincial agency that will manage the expansion of the Red River Floodway on behalf of Manitobans, received Royal Assent in the Manitoba Legislature.
- On November 1, 2004, the *Manitoba Floodway Authority Act* received Royal Proclaimed.

Funding

- Confirmed $240 million from Canada and Manitoba to support Floodway Expansion project.
- Received confirmation of the Government of Canada's commitment to the full floodway expansion project
- Began discussions regarding the outstanding financial commitment from Canada.

Dates of Significance

April 12, 2004	Project Management Agreement Stakeholder Session
May, 2004	Third Round of Public Consultation undertaken
June 8, 2004	Fox-Decent Report on Project Management Agreement released
June 10, 2004	The *Floodway Authority Act* and the *Red River Floodway Act*, receive Royal Assent
July, 2004	Preliminary Engineering Design completed
August 6, 2004	Submission of Environmental Impact Statement (EIS) to Manitoba Conservation
August 23, 2004	Honourable Steve Ashton, Minister of Water Stewardship, reconfirmed the Province of Manitoba's commitment to provide its portion of the remaining funding for the full floodway expansion project
September 9, 2004	Minister of Conservation awards $300,000 in Participant Assistance Funding
September, 2004	Fourth Round of Public Consultation undertaken
October 13/14, 2004	Dam Safety Workshop held
November 1, 2004	Royal Proclamation of the *Manitoba Floodway Authority Act*
November 29, 2004	Submission of EIS Supplementary Filing to Manitoba Conservation
November, 30, 2004	Letter from Honourable John Godfrey, Minister of State (Infrastructure and Communities) reconfirmed the Government of Canada's commitment to complete the floodway expansion project
December, 2004	Final Design Engineering initiated
December 20, 2004	Submission of "Responses to Information Requests" to the Clean Environment Commission
January 13, 2005	*Recreation and Economic Development Opportunities Report* released
January 15, 2005	Clean Environment Commission announces Public Hearings
February 10/11, 2005	Value Engineering Workshop held
February 14, 2005	Commencement of Clean Environment Commission Public Hearings
March 9, 2005	Project Management Agreement signed
March 10, 2005	Completion of Clean Environment Commission Public Hearings

2004/05 COMMUNICATION ACTIVITIES

April 1, 2004	Stakeholder Meeting on the Project Management Agreement
April 8, 2004	MFA Announces Third Round of Public Consultation
April 23, 2004	Government Releases Report on Natural Water Levels
April 29, 2004	MFA Unveils Website (www.floodwayauthority.mb.ca)
May 13, 2004	MFA Concludes Second Round of Public Consultation
May 21, 2004	Chinese Delegation Tour Floodway Inlet Control Structure
June 7, 2004	MFA Updates Drainage and Land Acquisition
June 8, 2004	Government Releases Fox-Decent Report on Project Management Agreement
July 28, 2004	MFA Unveils Outlet Control Model
August 6, 2004	Environmental Impact Statement Filed
September 10, 2004	MFA Announces Fourth Round of Public Consultation
January 13, 2005	Recreation and Economic Development Opportunities Report Released
February 1, 2005	MFA Partners on Manitoba Construction Conference
February 15, 2005	MFA Unveils First Phase of Flood Simulation Project
February 15, 2005	Improvements to Floodway Project Highlighted at Clean Environment Commission Hearings
February 16, 2005	Floodway Authority Confirms No Deepening of Floodway Channel
February 21, 2005	Floodway Authority Announces $7.7 Million in Drainage Improvements
March 7, 2005	MFA Outlines Groundwater Protection Strategy
March 9, 2005	MFA Announces Agreement on Project Management Agreement
March 30, 2005	No Disruption to Springhill Ski Season During Floodway

2005/06 PRIORITIES

For 2005/06, the strategic priorities identified by the Manitoba Floodway Authority include:

The Floodway Expansion Project

- ***Ongoing Final Design Engineering*** – Final design engineering will be ongoing throughout 2005/06 and is anticipated to be completed in 2006/07.

- ***Establishment of a Site Office*** – MFA plans on establishing a site office in the vicinity of the floodway to assist in the management of the project

- ***Commencing Construction*** – MFA anticipates issuing its first construction tender for the project to permit construction to begin in the summer of 2005. The preliminary 2005/06 construction tender plan includes:
    - Channel Excavation – Floodway Inlet to Highway 59 South Bridge
    - Inlet Control Structure improvements
    - PTH 59 South Bridge
    - Trans-Canada Highway Bridge
    - CNR Sprague Railway Bridge
    - Seine River Siphon Improvement
    - Pre-purchase of highway bridge girders
    - Purchase of temporary detour railway bridge

Environmental Licensing

- ***Obtaining an Environmental Approval*** – MFA anticipates receiving an environmental license under the Manitoba *Environment Act* from Manitoba Conservation as well as authorization from the Government of Canada to proceed with construction on the floodway expansion project. MFA will also be establishing monitoring procedures to ensure compliance with environmental licensing conditions.

Public Consultation

- ***Ongoing Public Consultation*** – MFA will continue to consult with Manitobans on the project as the project moves forward and is considering the establishment of community liaison committees.

Funding

- ***Securing Additional Funding*** – Discussions between MFA, Manitoba and Canada are anticipated to resolve the issues related to the outstanding financial commitments for the project.

AUDITOR'S REPORT

To the Minister of Finance of the
Province of Manitoba and the Directors of the
Manitoba Floodway Authority

We have audited the financial statements of the **Manitoba Floodway Authority** as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements presents fairly, in all material respects, the financial position of the Authority as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
June 3, 2005.

Chartered Accountants

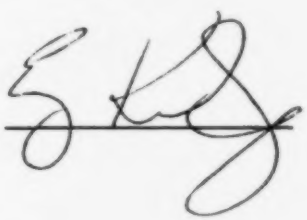
Manitoba Floodway Authority
(formerly Manitoba Floodway Expansion Authority Inc.)
Balance Sheet
As at March 31, 2005

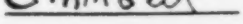
	2005	2004
ASSETS		
Current Assets		
Funds on deposit with Minister of Finance	$ 424,960	$ -
Accounts receivable - Government of Canada (Note 4a)	-	2,243,368
	424,960	2,243,368
Capital Assets (Note 4a)	-	15,636,181
Total Assets	$ 424,960	$ 17,879,549
LIABILITIES and EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 309,851	$ 1,516,397
Due to the Province of Manitoba (Note 3)	115,109	726,970
	424,960	2,243,367
Deferred Contributions related to Capital Assets (Note 4a)	-	8,660,653
	424,960	10,904,020
Contributed Equity related to Capital Assets (Note 4a)	-	6,975,528
Share Capital (Note 1)	-	1
Total Liabilities and Equity	$ 424,960	$ 17,879,549

Commitments (Note 6)

(see accompanying notes and schedules to the financial statements)

On behalf of the Board:





Manitoba Floodway Authority
(formerly Manitoba Floodway Expansion Authority Inc.)
Statement of Operations
Year ended March 31, 2005

	2005	2004
Expenses		
Salaries and Benefits	$1,753,924	$ 395,873
Other Operating Expenses		
Transportation	30,691	9,876
Communications	172,324	28,586
Supplies and Services	409,107	214,283
Debt Servicing	29,000	188
Minor Capital	138,351	224,516
Other Operating	238,780	66,778
	1,018,253	544,227
Total Expenses	2,772,177	940,100
Recoveries from the Province		
Capital Assets under Construction on behalf of the Province	2,231,332	662,852
Operating Grant (Note 5)	540,845	277,248
	2,772,177	940,100
Net Operating Results	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
(formerly Manitoba Floodway Expansion Authority Inc.)
Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba
Year ended March 31, 2005

	2005	2004
Funding from the Province of Manitoba (Note 4b)	$9,854,899	$4,248,615
Capital Expenditures by Component (Note 4b):		
Administration	2,231,332	662,852
Environmental Assessment	842,820	-
Final Design	2,150,407	-
Interest on Capital Borrowings	144,469	-
Project Description and Environmental Assessment	4,485,871	3,585,763
	9,854,899	4,248,615
Net Expenditures	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
(formerly Manitoba Floodway Expansion Authority Inc.)
Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Operating transactions		
Net operating results	$ -	$ -
Net changes in non-cash working capital balances related to operations		
Accounts receivable - Government of Canada	137,626	(137,626)
Accounts payable and accrued liabilities	172,225	142,717
Cash provided by operating transactions	309,851	5,091
Financing transactions		
Working capital advance	115,109	726,970
Capital transactions		
Capital assets constructed on behalf of the Province	(9,854,899)	(4,248,615)
Accounts receivable - Government of Canada	25,266	(2,105,742)
Accounts payable and accrued liabilities	931,904	1,373,681
Federal contributions for capital purposes	4,658,228	2,105,742
Provincial contributions related to capital assets	4,239,501	2,142,873
Cash applied to capital transactions	-	(732,061)
Increase(decrease) in funds on deposit with Minister of Finance	424,960	-
Funds on deposit with Minister of Finance, beginning of year	-	-
Funds on deposit with Minister of Finance, end of year	$ 424,960	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
(formerly Manitoba Floodway Expansion Authority Inc.)
Schedule of Capital Assets
As at March 31, 2005

	Cost	Federal Contributions	Cost net of Federal Contributions	Accumulated Amortization	2005 Net Book Value
Land	$ 6,975,528	$ -	$ 6,975,528	$ -	$ 6,975,528
Floodway Infrastructure - 1969	49,905,100	28,804,900	21,100,200	18,990,180	2,110,020
Floodway Infrastructure -					
Improvements - 2001	1,943,000	-	1,943,000	97,150	1,845,850
Improvements - 2000	3,348,116	2,338,951	1,009,165	75,687	933,478
Improvements - 1997	1,830,607	915,304	915,303	137,295	778,008
	64,002,351	32,059,155	31,943,196	19,300,312	12,642,884
Assets Under Construction - 2004	850,424	-	850,424	-	850,424
Assets Transferred from the Province March 31, 2004	64,852,775	32,059,155	32,793,620	19,300,312	13,493,308
Manitoba Floodway Authority -					
Assets Under Construction - 2004	4,248,615	2,105,742	2,142,873	-	2,142,873
Capital Assets at March 31, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Assets Transferred to the Province April 1, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Capital Assets at March 31, 2005	-	-	-	-	-
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2005	$ 9,854,899	$ 4,658,228	$ 5,196,671	$ -	$ 5,196,671

Note 1 - Nature of Operations

The Manitoba Floodway Authority Act was proclaimed into effect on November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority (the Authority) and dissolved the Manitoba Floodway Expansion Authority Inc. (MFEA) which had been incorporated October 3, 2003. The one outstanding share of the MFEA was redeemed upon dissolution for $1. The purpose of the Authority is to assume the existing operations of the MFEA and to act as the agent of the Manitoba Government in the construction and maintenance of the Red River Floodway.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Purchased capital assets in excess of $10,000 are recorded at cost and are amortized on a straight line basis according to their estimated useful life. Purchases under $10,000 are expensed in the year of purchase. The Authority follows the same capital asset policy as the Province.

Pension Plan

In accordance with the provisions of The Civil Service Superannuation Act (Act), employees of the Authority are eligible for pension benefits in accordance with the Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the lengths of services and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability. Contributions during the year amounted to $65,100 (2004 - $7,250).

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenditures recorded in the period, and the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

Financial Instruments

Financial instruments include funds on deposit with the Minister of Finance, amounts due to the Province of Manitoba, accounts payable and accrued liabilities. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Authority's financial assets and liabilities approximates their fair value.

Note 3 - Working Capital Advance and Due to the Province of Manitoba

a) Working Capital Advance

The Manitoba Floodway Authority is included under the provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance. The advances are repayable on demand at the option of the Lieutenant Governor in Council. A maximum line of credit of $5 million has been established. At March 31, 2005 there were no advances outstanding.

b) Due to the Province of Manitoba

In addition, the Authority may receive advances of approved funding for capital expenditures from the Province. At March 31, 2005 $115,109 was payable to the Province.

Note 4 - Transactions related to Capital Assets

a) Transfer of Assets to the Province of Manitoba

Due to a change in the funding approach to the floodway construction, all capital assets are now reflected on the financial statements of the Province. Effective April 1, 2004 the Authority has transferred to the Province all capital assets and related accounts it held at March 31, 2004 as follows:

Accounts receivable – Government of Canada	$ 2,243,368
Capital assets	15,636,181
Total assets	**$17,879,549**
Accounts payable	$ 2,243,367
Deferred contributions	8,660,653
Contributed equity	6,975,528
Share capital	1
Total liabilities	**$17,879,549**

b) Capital Assets Constructed on behalf of the Province of Manitoba

Capital expenditures incurred during 2005 as an agent of the Province were transferred to the Province as follows:

Administration	$ 2,231,332
Environmental Assessment	842,820
Final Design	2,150,407
Interest on Capital Borrowings	144,469
Project Description and Environmental Assessment	4,485,871
Total	**$ 9,854,899**

Note 5 - Transactions related to Operations and Capital

The Province has a shared cost agreement with the Government of Canada for both capital and operating expenditures related to the Red River floodway expansion project. All eligible costs are shared equally.

Revenue of $261,364 will be reflected in the Operating Fund of the Province of Manitoba related to the recovery of operating expenses.

Recoveries of $4,658,228 related to capital expenditures will also be reflected in the Operating Fund of the Province of Manitoba.

Note 6 - Commitments

As an agent of the Province the Authority has entered into various contracts in the Project Development and Environmental Assessment (PDEA) stage of the Floodway expansion project. Contractual commitments relating to the PDEA stage of the project total approximately $493,600 at March 31, 2005.

Commitments for the lease of office space to the Province of Manitoba Department of Transportation and Government Services for the next five years are as follows:

2006	$ 99,700
2007	99,700
2008	99,700
2009	45,700

Note 7 - Economic Dependence

The Authority is economically dependent on funding received from the Province of Manitoba.

Note 8 - Public Sector Compensation Disclosure

For the purpose of the Public Sector Compensation Disclosure Act, all compensation for employees is disclosed in a separate audited statement available on request.

Note 9 - Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for 2005.